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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

OSD FOR COMMANDER CHAFFEE

WHITEHOUSE FOR NSC/WEUROPE

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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: October 10, 2006

OePV Leadership Prepares for Coalition Negotiations

11. The OeVP leadership will hold special consultations today to establish guidelines for coalition negotiations with the SPOe. OeVP party boss Wolfgang Schuessel, who will nominate the other members of the negotiation team, will probably lead the negotiations. Centrist daily "Die Presse" reports on rumors that the OeVP wants to retain the Ministry of Finance in a new government - although not under the leadership of the current Minister of Finance, Karl-Heinz Grasser. Wilhelm Molterer, who could also become the next Vice Chancellor, could succeed him. Josef Prll, now Minister of Agriculture and Environment, could lead the Ministry of Economics. It appears extremely unlikely that Wolfgang Schuessel himself will hold a position in a possible coalition government. There are also still misgivings with regard to a possible SPOe/OeVP coalition in the People's Party. This hinges above all on the SPOe demand to establish a parliamentary committee of enquiry with regard to the Eurofighter deal. Also, there are fears on the part of the OeVP that the SPOe will want to pursue a policy of debt accumulation, writes "Die Presse."

Greens Ahead of FP0e After All Votes Are Counted

12. After all absentee ballots have been counted, the Greens have won an additional seat from the BZOe, which gives them third place (previously held by the FP0e) and would allow them to nominate a candidate for the office of Third President of the Federal Assembly - traditionally the privilege of the party that comes in third in the elections. The Greens will now have 21 seats in the Federal Assembly, the same as the FP0e - but the Greens have a slender winning margin of votes. For the Greens, the third place will also bring a financial asset - more party funding by the state, amounting to about 400,000 euros per year. In Carinthia, the Greens also overtook the FP0e - they are now in fourth place after SPOe, BZOe, and OeVP.

Fusion of BZOe and FP0e Predicted

13. Former Minister of Justice Dieter Boehmdorfer believes the two parties should reunite. He was never a member of either party, but always opposed a separation. In an interview with centrist daily "Die Presse," he attacks the OeVP, saying it merely used the FP0e for its own purposes, and that Chancellor Schuessel was concerned only with his own party and did not care about the country. The former Minister of Justice denied rumors that he was acting as mediator between FP0e and BZOe to bring the two parties back together. He also adamantly rejected the idea that there could be a coalition of OeVP, FP0e and BZOe with himself as Vice-Chancellor.

"Even the question is distasteful to me," Boehmdorfer said in the interview. He was optimistic that the FPOe will in due time undergo a change for the better and incorporate the BZOe once again into its ranks.

North Korea Has the Nuclear Bomb

14. After the announcement of a first successful test of a nuclear bomb, there are indications that North Korea might be preparing for another test in spite of the international outrage this action has created. The South Korean news agency "Yonhap" reportedly has information about unusual movements in the country's northeastern part. There is now increased concern that the testing of a nuclear bomb by North Korea might spark off an arms race in Asia, writes mass circulation daily "Kurier." Japan's Prime Minister Shinzu Abe has already announced that his country is considering the option of establishing a missile defense system together with the US and will tighten sanctions against Pyongyang. In South Korea, the armed forces have been put into a state of alert. The Director of the Austrian Institute for International Politics, Otmar Hoell, warns of imposing drastic sanctions - there is the danger that North Korea will collapse altogether. That would be "a catastrophe for the entire region," says Hoell. He predicts that the key to solving the nuclear crisis lies with China, which "could really exert pressure." The Iranian reaction to the North Korean nuclear tests were moderate, reports "Kurier." Iran was hoping for a solution that would "accommodate the interests of North Korea as well as that of the international community," according to a statement issued by the Iranian Foreign Ministry.

Media Reactions to North Korean Nuclear Weapons Test

15. The nuclear weapons test by North Korea and its repercussions have been analyzed at length in the Austrian media. Foreign affairs editor for centrist daily "Die Presse" Christian Ultsch warns of a chain reaction: "Thanks to the far-reaching vision of the 'Dear Leader,' the world is now looking into an abyss. A new nuclear arms race seems almost unavoidable. Japan could be the next to drop its nuclear inhibitions; South Korea would probably follow. Especially bothersome is the situation for China, which wants peace and quiet to catch up economically. South Korea, which was on its way into the Chinese sphere of influence, will now probably revert to the US for protection, as Japan has done recently. If everything goes wrong, a confrontation is threatening to escalate between Washington and China. Therefore, the two superpowers are called upon to pool their resources and quietly try and bring Kim down. Then the security system in Asia could be given new life." Foreign affairs writer for independent daily "Der Standard" Markus Bernath points out the connection between the North Korean and the Iranian nuclear ambitions: "Pyongyang uses its own weakness - and that of its adversaries-- to play politics. (...) Pyongyang and Teheran have pushed US foreign policy onto the defensive in recent months. For instance, North Korea's missile tests germinated during the laborious process of coming up with the offer which the five UN security powers and Germany made to Iran. Pyongyang would really like to have such an offer. In turn, Teheran saw that nuclear weapons can be built in the face of international disgust. Both members of the 'axis of evil' have finally learned from India: After the nuclear tests in 1990 and a number of sanctions, Delhi was rewarded by the US with a special nuclear cooperation agreement."

Ban New UN Secretary General

16. It is now all but assured that South Korea's Foreign Minister Ban Ki Moon will succeed Kofi Annan as UN Secretary General: On Monday, the UN Security Council formally nominated Ban - now, a simple consenting majority of the UN General Assembly is all that is necessary to make it official.

Right Wing Party Loses in Antwerp

17. In the municipal elections in Belgium, the right-wing "Vlaams Belang," while successful in smaller towns around the country, lost in Antwerp, where the current mayor has won at least ten additional seats for his party, therefore stopping the ascent of the "Vlaams Belang." The policy of isolating the right-wing extremists has proved successful, says independent daily "Der Standard." In none of

the municipal communities in Flanders has the "Vlaams Belang" succeeded in preventing a government majority for the established parties. The party under the leadership of Filip Dewinter is heavily xenophobic and tried to win support with the slogan "Our own people come first." Dewinter believes that the voting right for foreigners and the migration of parts of the white population from the cities to the countryside is responsible for the stagnation of his party, writes "Der Standard."

OPEC Reduces Oil Production

18. According to leading representatives of OPEC, the organization will cut oil production by about one million barrels per day, following a recommendation of OPEC President Edmund Daukoru. McCaw